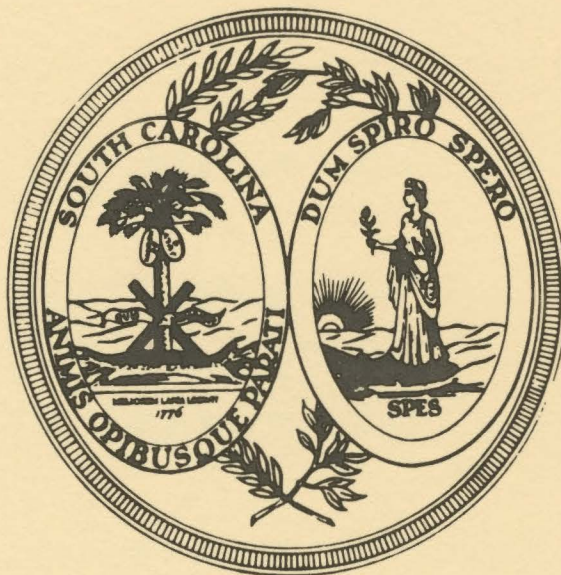


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South Carolina General Assembly
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Management and Performance
Review of the
Home Energy Assistance Program
February 23, 1982

THE STATE OF SOUTH CAROLINA

GENERAL ASSEMBLY

LEGISLATIVE AUDIT COUNCIL

MANAGEMENT AND PERFORMANCE REVIEW

OF THE

HOME ENERGY ASSISTANCE PROGRAM

TABLE OF CONTENTS

	<u>Page</u>
<u>REPORT SUMMARY</u>	1
<u>CHAPTER I - BACKGROUND AND HISTORY</u>	14
Overview	14
Eligibility	15
State Economic Opportunity Office (SEOO)	17
Funding Description	17
<u>CHAPTER II - REPORT FINDINGS</u>	20
Excessive Benefit Levels	20
Verification Procedures	26
Inadequate Verification of Client Income	26
Income Verification Delays Costly to Clients	29
Handicapped Verification Costly and Burdensome to Clients	31
HEAP Application Form Needs Improvement	34
Interagency Cooperation Needs Improvement	35
Ranking of Applications Performed Incorrectly	38
Certificate Payment System Inefficient	42
Client Outreach Needs Improvement	44
Inadequate Follow-up to SEOO Monitoring Visits	48
Appeals Process Costly and Time Consuming	51
Training of Local Staff Needs Improvement	53
Weatherization Program Not Coordinated With HEAP	54
Possible Sales Tax Evasion by Vendors	57

TABLE OF CONTENTS (CONTINUED)

	<u>Page</u>
Recall of Local Agency Funds	58
HEAP and Energy Crisis Assistance Program (ECAP) Comparison	61
<u>APPENDICES</u>	66
A - List of Tables	66
B - Local Administering Agencies	67
C - Assistance and Administrative Costs for the ECAP and HEAP Programs by Local Agency	69
D - Agency Comments	72

REPORT SUMMARY

The Legislative Audit Council was requested by the General Assembly to perform a program audit of the Home Energy Assistance Program (HEAP) administered by the State Economic Opportunity Office (SEOO) of the Governor's Office. The Council was requested to examine specific portions of the program in addition to overall management efficiency and effectiveness.

In conducting the audit, the Council's staff visited 15 of the 20 local HEAP agencies responsible for 36 counties. In-depth interviews were held with the local staffs, SEOO State employees, and 1,336 of 54,348 client files were sampled. Officials from other states and Federal officials at the regional and national levels, and the National Director of the Energy Assistance Program were also interviewed. The Council sent 48 inquiries to various state and local public and private officials asking for their comments concerning the HEAP program.

HEAP is part of a nationwide program authorized and funded by Congress to provide energy assistance payments to low income households in order to offset the rising cost of heating and cooling a home. It is administered by the Social Security Administration (SSA) within the Department of Health and Human Services (HHS). During FY 80-81, the State received \$13.4 million to be disbursed to clients for heating expenses and to be used for program administration.

The Audit Council's review of HEAP found several problems that were due primarily to the short amount of time the State had to implement this Federal program. This prevented SEOO from being able to make timely and adequate plans. Federal Regulations were not issued until

October 1980 and the State did not receive its funds until January 27, 1981. This pressured SEOO and local agencies into disbursing funds quickly in order to assist clients with their fuel bills during the winter heating season.

These factors contributed to the problems experienced in all phases of the program's implementation. This included higher assistance payments than necessary so that not all eligible applicants were served, inefficient use of State and local agency staff time, and some cases of client inconvenience and hardship.

The Council's findings and recommendations are summarized in the following pages. Following this summary, the report is divided into two chapters. Chapter I provides program and financial background information and Chapter II contains the findings of the report.

Excessive Benefit Levels (see p. 20)

In FY 80-81, the HEAP fuel assistance payments were unnecessarily high. This limited the number of eligible applicants who received assistance. The average payment per client in South Carolina was \$339, the highest of eight southeastern states. The average household heating bill was \$333 according to a SEOO survey of 835 low income households. Actual payments ranged from \$40 to \$670 per household.

Due to the large payments, the majority of HEAP funds were obligated by the third week after the program started and fewer clients were served than possible. Approximately 264,600 households were eligible, 54,348 households applied, but only 36,875 applicants or 14% of the total eligible households received assistance.

Verification Procedures (see p. 26)

In their review of local agency files, the Audit Council found several problems with verification of clients' income and verification of clients' handicapped status.

1. Verification of client income was inadequate, leaving the program open to fraudulent activity. A significant portion of client files lacked documentation of client income. The Audit Council sampled 1,336 client files and found that income was not documented for 81 (9%) of the 901 clients approved to receive energy assistance.

Some local agencies did not follow State guidelines for income documentation. This resulted in several instances of under and overpayments to clients. The Audit Council found several cases where it appeared that persons attempted to defraud the program by submitting more than one application. The Council also found two instances of double payments, totaling \$420.

Delayed receipt of client income documentation caused many clients to lose their priority in the application ranking process so that they did not receive assistance. Printouts from State agencies containing client income information were delayed one and one-half to two weeks past the start of the program. There were also delays with verification by the Veterans Administration (VA) and the Social Security Administration (SSA).

2. Handicapped verification was costly and burdensome to clients. SEOO required handicapped individuals to have either a physician's statement or an agency letter documenting their disability. This applied even to visibly handicapped persons (missing limbs, etc.). Due to the cost and burden of obtaining documentation, the verification of handicapped clients was delayed. As a result, many of

these clients, some of whom were among the most needy and who applied during the first days of the program, were not served. Some clients were unnecessarily required to have a physician's report verifying their handicap.

HEAP Application Form Needs Improvement (see p. 34)

The HEAP application needs improvement. The application lacked adequate detail on income, making it impossible to relate the type of income to the method used to verify it. Several sections on the application were unnecessary. Data obtained from several other sections was of questionable validity. Inadequate data concerning household income made the program more vulnerable to possible fraudulent activity and unnecessary data collection and resulted in the inefficient use of staff time.

Interagency Cooperation Needs Improvement (see p. 35)

The administration of the HEAP program involved the cooperative efforts of various Federal, State and local public agencies and local private non-profit agencies. Although there was a great deal of coordination and cooperation between agencies, the Council found several areas which need improvement.

1. Timely sharing of client eligibility information is needed between Federal (SSA and VA) and State (DSS) agencies and the State and local HEAP offices.
2. The referral of clients by local public and private non-profit agencies to the HEAP program needs improvement.

3. Although most local agencies administering the HEAP program were cooperative, some consistently did not follow SEOO's instructions and guidelines. Improvement is needed in this area.

Ranking of Applications Performed Incorrectly (see p. 38)

The weekly ranking or "prioritization" of client applications was performed incorrectly at most local agencies. Local agencies were required to rank or arrange applications according to the applicant's household income and the date on which the application was verified. According to SEOO monitoring reports, 11 out of 19 local agencies had problems with ranking applications. SEOO staff had to correct all of the ranking at the Wateree and Midlands agencies after finding that applications were improperly ranked. Because proper procedures were not followed at most agencies, excessive staff time and resources had to be spent on correcting problems. Incorrect ranking also caused clients who should have received assistance not to be served.

For the FY 81-82 program, SEOO will rank applications at the State level using a new computerized ranking system. The Council questions some of the variables to be used in ranking applications in this new system. Use of these variables may result in some clients receiving inappropriate benefits.

Certificate Payment System Inefficient (see p. 42)

The Audit Council examined the certificate system of benefit payments to HEAP clients and noted several problem areas. The denominations of the certificates were too small and the certificates required too much time to complete. Using as many as 15 certificates per client required

an inordinate amount of staff time and contributed to the number of certificates which clients lost.

Client Outreach Needs Improvement (see p. 44)

Client outreach was a significant problem for the HEAP program. An in-depth study of 15 local agencies by the Audit Council revealed:

1. The number of locations taking applications varied greatly from county to county.
2. The ratio of in-town locations to rural locations varied greatly.
3. All centers did not open on the same date.

There was an overall lack of planning and coordination by SEOO concerning client outreach and service provision to rural areas. SEOO monitoring reports cite seven (35%) of the 20 local agencies as deficient in their outreach efforts. As a result, some needy eligible clients did not receive assistance and some areas of the State, especially rural areas, were not adequately served.

Inadequate Follow-up to SEOO Monitoring Visits (see p. 48)

SEOO staff identified problems through visits to local agencies but did not perform timely follow-up or take appropriate actions to ensure that problems identified were corrected. As a result, problems at local agencies were not corrected promptly. This inefficiency caused some inequitable distribution of funds and prevented some eligible clients from receiving assistance.

Appeals Process Costly and Time Consuming (see p. 51)

The HEAP appeals process is inefficient and causes unnecessary appeals to be made. Instructions to clients on the appeals procedure were unclear. SEOO received 2,342 "appeal request" forms from clients. However, when contacted and informed of the appeals process, 2,152 waived their appeals. The appeals process required an excessive amount of staff time which could have been applied to other areas of the program.

Training of Local Staff Needs Improvement (see p. 53)

The Audit Council found that training for the FY 80-81 HEAP program was untimely and needs improvement. According to seven of 14 local agencies, training for the FY 80-81 program was inadequate.

In most cases, only administrative staff from the local agencies attended the training sessions. Due to the delayed receipt of Federal funds, other local staff members could not attend because they were not hired until the day before and, in some cases, the day after the energy program started. Errors that occurred as a result of untimely and inadequate training cost additional staff time and resources and caused a number of eligible clients not to be served.

Weatherization Program Not Coordinated With HEAP (see p. 54)

SEOO did not coordinate adequately the HEAP program with its State Weatherization Assistance Program. The Council's review of 1,336 client files found that clients were not referred to the Weatherization Program. Unweatherized homes do not use fuel efficiently. These homes have higher fuel bills which creates a stronger need for assistance

from energy subsidized programs. Therefore, more dollars are needed per client, decreasing the total number of clients that can be served.

Possible Sales Tax Evasion by Vendors (see p. 57)

The Audit Council found that the names of 386 vendors who contracted with SEOO in FY 80-81 were not registered with the Sales Tax Division of the South Carolina Tax Commission. This indicates that vendors selling to HEAP clients may have evaded the 3% State sales tax on residential fuel. Sales by the 386 vendors to persons outside of the HEAP program are not known. However, these vendors received approximately \$1.3 million from SEOO in FY 80-81 for sales to HEAP recipients. Therefore, the State may have lost at least \$39,000 in uncollected sales tax. The Tax Commission is continuing to investigate these vendors to determine if they are properly licensed and paying the retail sales tax.

Recall of Local Agency Funds (see p. 58)

SEOO exceeded its budget for administration and recalled \$104,327 in administrative funds prior to completion of all HEAP work in the counties. SEOO used these funds to cover its own administrative expenditures. The total recall of administrative funds and the early termination of local agencies' staffs contributed to program inefficiency, because SEOO required additional work from local agencies after the money was returned.

HEAP and Energy Crisis Assistance Program (ECAP) Comparison (see p. 61)

The Audit Council was requested to compare the FY 80-81 Home Energy Assistance Program (HEAP) and the FY 79-80 Energy Crisis Assistance Program (ECAP). Energy assistance levels and administrative costs were higher for HEAP than for ECAP. The increased administrative cost for HEAP was due to more extensive Federal requirements for program administration and financial reporting and State requirements for accountability and control.

Conclusion

Many of the problems cited above are due primarily to the slowness of the Federal Government in funding and promulgating regulations for HEAP. One of the major deficiencies, timeliness of benefits, cannot be solved unless Congress appropriates energy assistance funds well in advance of the heating season. In FY 80-81, South Carolina did not receive the funds to implement the program until January 27, 1981. By this time many people were in need of HEAP assistance and some had amassed considerable debts to energy suppliers.

SEOO is making changes in the program to correct many of the problems found by the Council. In particular, payment levels will be lower and all eligible applicants will receive assistance. In FY 81-82, South Carolina will receive \$9.5 million in Federal funds; \$3.8 million less than last year. This reduction in Federal funding along with the lower, but more equitable, payment level will likely draw complaints from clients who received higher assistance payments last year. The program's changes, however, should make it more equitable, serve a

greater number of needy individuals and more nearly fulfill Congress' goal of "offsetting the rising cost of home energy."

The recommendations of this report should aid in improving the efficiency and effectiveness of the HEAP program. During the conduct of this audit HEAP officials have been very cooperative in remedying problem areas noted by Council staff, and future programs will benefit from the experience of the FY 80-81 program.

RECOMMENDATIONS

- 1) SEOO SHOULD PROVIDE ASSISTANCE PAYMENTS TO AS MANY ELIGIBLE CLIENTS AS POSSIBLE WITH THE FEDERAL FUNDS AVAILABLE.
- 2) SEOO SHOULD UTILIZE ITS CLIENT INFORMATION SYSTEM TO IDENTIFY POTENTIALLY FRAUDULENT APPLICATIONS AND TO DETERMINE THE APPLICATION ERROR RATE OF EACH LOCAL AGENCY. SEOO SHOULD RECOVER ALL OVERPAYMENTS MADE TO CLIENTS.
- 3) SEOO SHOULD MAKE FULL USE OF ALL AVAILABLE DATA TO VERIFY HANDICAPPED CLIENTS, INCLUDING THE USE OF INFORMATION AVAILABLE FROM DSS, THE SOCIAL SECURITY ADMINISTRATION AND OTHER GOVERNMENT AGENCIES.

SEOO SHOULD DEVELOP A DEFINITION FOR "VISIBLY HANDICAPPED" AND SUBMIT IT TO HHS FOR APPROVAL TO AVOID REQUIRING PHYSICIAN STATEMENTS FROM THESE CLIENTS.

- 4) COOPERATION SHOULD BE IMPROVED BETWEEN THE HEAP PROGRAM AND STATE AND FEDERAL AGENCIES. THIS SHOULD INCLUDE FORMAL PLANNING SESSIONS AND FORMAL AGREEMENTS FOR THE EXCHANGE OF DATA.

THERE SHOULD BE STATEWIDE WORKSHOPS WITH REPRESENTATIVES OF VARIOUS PUBLIC AND PRIVATE HUMAN SERVICE AGENCIES WELL IN ADVANCE OF FUTURE HEAP PROGRAMS.

- 5) SEOO SHOULD CONTINUE ITS EFFORTS TO DEVISE A SYSTEM TO RANK APPLICATIONS AT THE STATE LEVEL RATHER THAN THE LOCAL LEVEL.

SEOO SHOULD ENSURE THAT ADEQUATE RESEARCH IS DONE TO SUPPORT VALUES CHOSEN TO CALCULATE ASSISTANCE LEVELS.

- 6) SEOO SHOULD FOLLOW THROUGH WITH PLANS TO DISBURSE HEAP BENEFITS USING ONLY ONE CERTIFICATE PER CLIENT.
- 7) THE STATE HEAP OFFICE SHOULD DEVELOP COMPREHENSIVE STANDARDS CONCERNING ADEQUATE OUTREACH EFFORTS AND SHOULD PROVIDE LOCAL AGENCIES WITH THESE SPECIFIC STANDARDS.

THE STATE HEAP OFFICE SHOULD REQUIRE LOCAL AGENCIES TO SUBMIT, FOR APPROVAL, LOCAL PLANS OUTLINING SUCH FACTORS AS APPLICATION LOCATIONS, COOPERATION WITH OTHER AGENCIES, OPENING DATES, AND OTHER PERTINENT DETAILS.

- 8) SEOO SHOULD ENSURE THAT MONITORING FOLLOW-UP VISITS ARE TIMELY.

SEOO SHOULD MAINTAIN A LOG TO MONITOR THE STATUS OF ALL PROBLEMS FOUND DURING MONITORING VISITS. THE LOG SHOULD BE ORGANIZED TO DENOTE TYPE OF PROBLEM, NAME OF AGENCY, DATE AGENCY WAS NOTIFIED ABOUT CORRECTIVE ACTION, AND DATE THE PROBLEM WAS RESOLVED.

- 9) IN SEOO'S NOTIFICATION OF DENIAL OR ACCEPTANCE LETTER, ALL CLIENTS SHOULD BE INSTRUCTED TO CONTACT THEIR LOCAL HEAP OFFICE FOR APPEAL FORMS AND ASSISTANCE IF THEY WISH TO APPEAL.
- 10) SEOO SHOULD TAKE STEPS TO IMPROVE THE TRAINING GIVEN TO STAFFS OF FUTURE HEAP PROGRAMS, EVEN DELAYING THE START OF THE PROGRAMS IF NECESSARY.
- 11) SEOO SHOULD INITIATE ITS OPTION TO ALLOCATE A PORTION OF THE FY 81-82 HEAP APPROPRIATION FOR WEATHERIZATION AND SHOULD DEVELOP AN EFFECTIVE SYSTEM TO REFER HEAP CLIENTS TO THE WEATHERIZATION PROGRAM.
- 12) THE SOUTH CAROLINA TAX COMMISSION SHOULD FURTHER INVESTIGATE THE NAMES OF THE 386 VENDORS LISTED ON SEOO'S RECORDS TO DETERMINE IF THEY ARE PROPERLY LICENSED AND PAYING THE RETAIL SALES TAX AS REQUIRED BY LAW.
- 13) IF SEOO REQUIRES LOCAL AGENCIES TO PERFORM HEAP SERVICES, SEOO SHOULD REIMBURSE THEM FOR THEIR COSTS.

CHAPTER I

BACKGROUND AND HISTORY

Overview

In 1975, Congress passed the Community Services Act which authorized the development of low income energy assistance programs. Beginning in 1977, various programs have been designed to provide "crisis intervention" to low income households which could not afford to pay their energy bills. The last crisis intervention effort was the 1980 Energy Crisis Assistance Program (ECAP). Under ECAP, community action agencies in each state provided assistance to low income households which were threatened with fuel cutoffs.

The Crude Oil Windfall Profit Tax Act of 1980 authorized an expanded low income assistance program for 1981, known in South Carolina as the Home Energy Assistance Program (HEAP). According to its enabling legislation, the purpose of the program was to "offset the rising cost of home energy that is excessive in relation to household income." A primary difference between HEAP and other programs is that rather than relating benefits to a household's particular needs, i.e., covering only unpaid bills, HEAP provides automatic payments regardless of actual energy expenses. In this sense, HEAP is an assistance program, much like food stamps. Nationally, this program is conducted under the auspices of the Social Security Administration within the Department of Health and Human Services (HHS). The single State agency in South Carolina responsible for HEAP is the State Economic Opportunity Office (SEOO) within the Governor's Office.

In October 1980, HHS promulgated final rules and regulations regarding HEAP. These regulations called for writing a State plan describing how the State would administer the program following the stated regulations.

Eligibility

According to the State Plan:

The State will allow service to households of two to four members which have a total household income less than or equal to the Bureau of Labor Statistics lower living standards, or, in the case of the single member household, whose total income is less than or equal to the Community Services Administration (CSA) 125 percent of poverty level standard (\$4,738 nonfarm household single person, \$4,063 farm household single person). In households of five or more members the total household income will not exceed \$12,000.

TABLE 1
SOUTH CAROLINA
ELIGIBILITY TABLE

<u>Size of Household</u>	<u>Maximum Income</u>
1	4,738
2	6,600
3	9,060
4	11,180
5	12,000
6	12,000
7	12,000

(The limit shall remain at \$12,000 for all households over seven.)

Source: 1980-81 State HEAP Plan

These households should also contain persons which are receiving or can produce evidence that they are categorized as 1) Aid to Families with Dependent Children (AFDC), 2) Supplemental Security Income (SSI), 3) Food Stamps, 4) Veterans Benefits, 5) Aged 60 years or more, or 6) Handicapped. According to the State Plan, there are approximately 263,617 people eligible under this criteria in South Carolina. During FY 80-81, HEAP served 36,875 people in South Carolina.

Under the State Plan, energy certificates are issued to eligible clients to be used in exchange for energy supplies. All monetary transactions take place between SEOO and the various energy suppliers (vendors). According to SEOO, this is in keeping with the Governor's desire to ensure that all assistance is used for energy and that assistance goes to the needy.

The State provided printed certificates in denominations of \$10 and \$50 to the local agencies. These certificates were filled out with the client's name, address and other information and were distributed. The amounts distributed in the State varied due to several factors including climate zone, income and fuel type. Amounts ranged from \$40 per client to \$670 per client (see Table 4), with an average award of \$339 (see Appendix C). All fieldwork, outreach, certification, verification, and distribution of funds was done by 20 community agencies covering all 46 counties (see Appendix B). Seventeen agencies are community action agencies established under the Community Services Administration (CSA). These agencies perform a multitude of tasks, one of which is administering HEAP. There are several counties which do not have these agencies, therefore, alternate agencies were found in these areas as follows:

County (Without CAA Services)

Alternate Agency Used

Anderson

Anderson-Oconee Head Start

Oconee

Oconee County Council

Pickens

Pickens County DSS

Each local agency retains HEAP client and financial records and each agency has one person who is designated as the HEAP coordinator.

State Economic Opportunity Office (SEOO)

SEOO is the single State agency responsible for the operation and administration of HEAP. SEOO has the following duties in relation to HEAP: 1) to administer HEAP in accordance with Federal law, regulations set forth by HHS and the State Plan, and 2) to contract with local agencies to conduct the operations of HEAP. Specific duties include policy decision, administration, data collection, accounting and financial administration, monitoring, and other functions. At the height of the program, SEOO used eight full-time and nine part-time persons plus 21 temporary data processing employees.

Funding Description

The HEAP program is funded almost exclusively through Federal funds. In FY 80-81, the Federal Government appropriated \$1.74 billion nationally and South Carolina initially received \$11,974,035. In September 1981, South Carolina received a supplement of \$1,373,783. This brought the total grant amount to \$13,347,818 or .8% of the national appropriation. Of this amount, the State could have used \$12,346,732 as energy assistance to clients and up to 7.5%, or \$1,001,086 for administration.

In South Carolina, administrative costs were divided between the 20 local agencies, which used \$606,610, and the State office which used \$501,637. Various other Federal grants and funding sources have also been used for HEAP (see Table 2). Additionally, HEAP received State and local contributions totaling \$321,450.

TABLE 2
FUNDS AVAILABLE AND EXPENDITURES FOR THE
HOME ENERGY ASSISTANCE PROGRAM (HEAP)

FY 80-81¹

<u>Funds Sources</u>	<u>Funds</u>	
	<u>Available</u>	<u>Expended</u>
Federal:		
CSA FY 80 (ECIP) ²	\$ 100,000	\$ 99,947
HHS FY 81 (HEAP) ³	13,347,818	13,145,704
State:		
Energy Assistance- State Match ⁴	300,000	63,396
Local:		
GLEAMS Human Resources Commission ⁵	21,450	21,450
TOTAL FUND SOURCES	<u>\$13,769,268</u>	<u>\$13,330,497</u>

<u>Expenditures by Object</u>	<u>SEOO</u>	<u>Local Agencies</u>	<u>Total</u>
Administrative:			
Personal Services and Fringe Benefits	\$143,842	\$512,357	\$ 656,199
Contractual Services	246,626	11,198	257,824
Travel	13,904	31,202	45,106
Office Supplies	62,198	37,947	100,145
Fixed Charges	32,154	6,221	38,375
Equipment	2,913	7,684	10,597
Other	-	1	1
Total	<u>\$501,637</u>	<u>\$606,610</u>	<u>\$ 1,108,247</u>
Energy Assistance: Total			<u>\$12,222,250</u>
TOTAL EXPENDITURES			<u>\$13,330,497</u>

¹Federal Fiscal Year - October 1, 1980 to September 30, 1981.

²Community Services Administration (CSA) FY-80 Energy Crisis Intervention Program (ECIP) authorized carryover for SEOO's use.

³Department of Health and Human Services (HHS) FY-81 HEAP original and supplemental grant awards, (\$10,477,296 + \$1,496,739 + \$1,373,783).

⁴State funds appropriated for HEAP program.

⁵Local agency reimbursed the HEAP program for overexpenditures of \$21,450 in energy assistance.

CHAPTER II

REPORT FINDINGS

Excessive Benefit Levels

In FY 80-81, the HEAP fuel assistance payments were unnecessarily high. This limited the number of eligible applicants who received assistance. The average payment per client in South Carolina was \$339, the highest of eight southeastern states (see Table 3). Actual payment amounts ranged from \$40 to \$670 per household. Approximately 263,600 households were eligible, 54,348 households applied, but only 36,875 applicants received assistance.

Benefit levels were set by HEAP staff in conjunction with a mathematical formula developed by HHS. This formula uses climatic information, fuel prices and consumption data gathered from various sources, to determine the cost of heating a typical low income home.

The amount of assistance was based upon the total household income, climate zone and type of fuel used. For instance, a person making 0 to \$3,000 per year received benefits equalling approximately 100 percent of the projected fuel cost for the season (see Table 4). As an individual's income increased, the percentage of projected fuel costs paid decreased to a low of 20 percent for those making \$9,001 to \$12,000. It was an administrative decision of the State HEAP office to set the assistance levels at these high amounts. The Federal formula used merely determined the projected cost of heating a home. The State set the actual payment levels.

TABLE 3
AVERAGE BENEFIT LEVELS PER HOUSEHOLD FOR ENERGY
ASSISTANCE PROGRAMS IN EIGHT SOUTHEASTERN STATES
FY 80-81

<u>State</u>	<u>Average Benefit Level</u>
Alabama	\$124
Florida	165 ¹
Georgia	116
Kentucky	229
Mississippi	150
North Carolina	155
South Carolina	339
Tennessee	277 ²

Source: Legislative Audit Council Survey

¹Florida distributed an average benefit of \$165 for heating and an average benefit of \$192 for cooling.

²If payments to public housing tenants are excluded, the Tennessee average benefit is increased to \$295-300.

TABLE 4
HEAP PAYMENT ASSISTANCE
AMOUNTS BY HOUSEHOLD INCOME BY REGION
FY 80-81

NORTHERN ZONE

Percent Payments	Total Household Income	FUEL TYPE				
		Natural Gas	Electricity Wood, Coal	Kerosene	Fuel Oil	Liquid Petroleum Gas
100	\$ 0 - 3,000	\$360	\$330	\$630	\$670	\$450
80	3,001 - 5,000	290	260	500	540	360
60	5,001 - 7,000	220	200	380	400	270
40	7,001 - 9,000	140	130	250	270	180
20	9,001 - 12,000	70	70	130	130	90

CENTRAL ZONE

Percent Payments	Total Household Income	FUEL TYPE				
		Natural Gas	Electricity Wood, Coal	Kerosene	Fuel Oil	Liquid Petroleum Gas
100	\$ 0 - 3,000	\$300	\$260	\$540	\$570	\$380
80	3,001 - 5,000	240	210	430	460	300
60	5,001 - 7,000	180	160	320	340	230
40	7,001 - 9,000	120	100	220	230	150
20	9,001 - 12,000	60	50	110	110	80

TABLE 4 (CONTINUED)

SOUTHERN ZONE

Percent Payments	Total Household Income	FUEL TYPE				
		Natural Gas	Electricity Wood, Coal	Kerosene	Fuel Oil	Liquid Petroleum Gas
100	\$ 0 - 3,000	\$260	\$210	\$460	\$490	\$330
80	3,001 - 5,000	210	170	370	390	260
60	5,001 - 7,000	160	130	280	290	200
40	7,001 - 9,000	100	80	180	200	130
20	9,001 - 12,000	50	40	90	100	70

Source: State Economic Opportunity Office

There are several factors which support the conclusion that benefit levels were excessive. Foremost, the philosophy guiding the formation of the State's assistance amounts is not consistent with the intent specified by Congress in creating the HEAP program. According to the enabling legislation, the Crude Oil Windfall Profit Tax Act of 1980, the purpose of the Home Energy Assistance Act was "to make grants to States to provide assistance to eligible households to offset the rising costs of home energy that are excessive in relation to income." This policy statement indicates that these payments are to supplement energy costs - not pay a substantial portion of them. Also, the amount of payment in many cases equaled the full amount of the seasonal energy bill (45 percent of clients served were in the 100 percent bracket) and in some cases, the amount was so large that clients were not able to use all the HEAP assistance.

According to a HEAP survey of 835 low income households, the average heating bill for last heating season for a five to seven room house was \$333. However, the average benefit payment for last heating season was \$339. One major LP Gas supplier told the Audit Council that statewide, as of August 31, 1981, 106 clients still have \$6,589.40 in energy credits from HEAP during the past heating season. According to HEAP's staff, \$6,353 in energy certificates have been returned by other vendors because they were not used.

Finally, in conducting interviews with local administering agencies, 13 out of 14 agencies representing 36 counties stated that the benefit levels were too high. Some counties suggested that benefit levels not exceed \$200 to \$250. Officials from some coastal counties stated that some persons received enough assistance to pay their fuel bills for two or three years. According to HEAP monitoring reports, civic leaders, utility representatives and others also thought the amounts were excessive.

As a result of the high benefit levels, fewer clients were served than possible even though there was an identifiable need for a greater distribution of funds. According to the HEAP State Plan, approximately 263,617 households in the State were eligible for the program. During the short time applications were taken, 17,473 households of 54,348 were turned away. The great majority of those turned away (94%) were refused due to a lack of funds.

Due to the large payments, the majority of HEAP funds were obligated by the third week after the program started. The large size of the benefit amounts may have actually discouraged fuel conservation and encouraged waste. This effect is contrary to the spirit of the

Crude Oil Windfall Profit Tax Act in particular, and national goals in general.

HEAP officials state that the program will be changed so that benefit levels for the FY 81-82 heating season will be lower and more applicants will be served. All potential clients will apply during a one-month application period. All those who are eligible will divide the available funds. Levels of assistance will be determined by client household characteristics, including fuel type, climatic zone, type of dwelling and size of household.

The State HEAP office estimates that 100,000 to 125,000 eligible persons will apply. If this forecast is accurate, the average benefit level will be \$75 to \$94. This should make the program more equitable, reduce administrative problems, serve a greater number of the needy and fulfill the goal of "offsetting the rising cost of home energy." It will also generate complaints from those clients who received \$500 or \$600 the previous year and have seen the cost of energy, and their expectation of large benefit levels rise. In order to serve this program's clients in the most equitable and efficient manner, benefit levels must drop substantially.

RECOMMENDATION

SEOO SHOULD PROVIDE ASSISTANCE PAYMENTS
TO AS MANY ELIGIBLE CLIENTS AS POSSIBLE
WITH THE FEDERAL FUNDS AVAILABLE.

Verification Procedures

Introduction

During the Audit Council's review of procedures used to verify whether clients are eligible for fuel assistance, several problems were noted. Income was not documented for some client files, and delays occurred in receiving income information from various government agencies. Handicapped verification for the program was costly and burdensome to clients. Each of these is discussed in the following paragraphs.

Inadequate Verification of Client Income

Verification of client income was inadequate, leaving the program open to fraudulent activity. From 54,348 client files, the Audit Council selected a sample of 1,336. The sample showed that 901 clients had been approved to receive energy assistance. Of these approved files, 81 (9%) contained no income documentation. While conducting this review, the Council noted the following deficiencies:

- Some local agencies did not follow standards of acceptable income documentation. Through an examination of monitoring letters from SEOO to the local agencies and a review of client files, the Council found several instances of errors which resulted in under and over payments of benefits to clients.

For example, a letter to the Piedmont Community Action Agency (which serves Spartanburg and Cherokee Counties) reported that errors in income computation resulted in an over issue on 13 applications totaling \$2,210 and an under issue on eight applications totaling \$1,010. The accompanying monitoring report stated that

"almost every application in Spartanburg County was verified with incorrect computations of income." While conducting its survey, the Audit Council found one case of incorrectly determined income in Anderson which resulted in the client being overpaid by \$130. A review of the monitoring reports showed that one applicant in Pickens County was overpaid by \$90 and another was underpaid by \$70.

- In addition, local staff at the Midlands Human Resources Center reported that early in the program, intake workers recorded weekly or monthly income figures rather than yearly figures. This resulted in miscalculating benefits for a number of cases.
- In several cases it was questionable whether all income was reported by clients. An application sample from 10 counties revealed 13 households out of 507 who reported no income. Additionally, 16 applications reported household incomes of under \$500.
- Four applicants in one county and two applicants in another were not listed on printouts although this was the method of verification stated on their applications. Therefore, there was no evidence to prove that these clients were eligible to receive assistance.
- The Audit Council found two cases in Wateree where income listed on printouts was ignored or overlooked by staff. Because of these oversights one client received an overissuance of certificates amounting to \$50.

Inadequate verification was due in part to the lack of training of local staff. Staff at seven of the 14 agencies interviewed reported they received inadequate training from SEOO (see p. 53). Interviews with

local staff also pointed out that there had been misconceptions, misunderstandings and lack of clear communication between State and local staff about what types of documentation were acceptable. One SEOO official stated that too many people at the local agencies were responsible for income verification and this contributed to inadequate verification. Miscalculations and other errors also occurred due to carelessness or negligence on the part of local staff. Mistakes in calculations were not always caught by those certifying the application. Monitoring by State field representatives was untimely and resulted in inadequate follow-up of problems. The Council found few references in monitoring reports which followed up previously discovered problem areas.

Detailed standards of acceptable income documentation were developed at the State level, but were not followed by many local agencies. Types of income documentation approved in the State Plan to verify receipt of AFDC, SSI and/or Veterans Benefits included check stubs, award determination letters, letters from employers, printouts, letters from servicing agencies confirming participation in the program or combinations of these documents. The accurate identification and collection of these documents were the primary function of case workers in the field. It was important that this function be performed with a minimum of error.

Inadequate income verification leaves the program open to fraudulent activity. For example, a monitoring report of the Piedmont Community Action agency revealed that one employee was fired for forging income documents for clients. The Audit Council noted several cases where it appeared that persons attempted to defraud the program by submitting more than one application. One applicant altered information concerning

income, ages of household members and name of vendor on the second application. Two applicants changed the income amounts on their second applications; however, these attempts were noted by SEOO. The Council found two instances of double payments that totaled \$420, and SEOO was made aware of these cases.

Another result of inadequate income verification is that some applicants were awarded over or under-issuances. Overissues identified by SEOO totaled \$2,430 and under-issues totaled \$1,080. The Council conferred with SEOO staff about the income verification problem. SEOO agrees that there is a greater need for accountability in this crucial area and is planning to take steps to alleviate this problem.

Income Verification Delays Costly to Clients

Client income information from various government agencies was delayed. This contributed greatly to many of the problems experienced by the program. Printouts of Supplemental Security Income (SSI) and Aid to Families with Dependent Children (AFDC) client information, were delayed one and one half to two weeks past the start of the program. Federal Regulations also require States to make a decision about an application within 45 days from the date the application was received. This 45-day limit was not met in 10% of the 1,336 cases sampled. Because client income information from various State and Federal agencies was delayed, many clients lost their priority in the application ranking process and did not receive assistance.

There were also delays with verification by the Veterans Administration (VA) and the Social Security Administration (SSA). Since the VA could not supply a printout, veterans had to go to their county VA

offices to obtain award letters. Verification by the Social Security Administration was slow, sometimes taking several weeks. These delays are in violation of the intent of Federal Regulations governing the HEAP program.

One of the reasons for delayed verification was a delay in funding. Funds were received by local agencies only a short time before the HEAP program started, causing hurried hiring of staff, inadequate training, delayed verification, and other problems. Delayed verification was also due to poor planning by SEOO. SEOO did not request a listing of AFDC and SSI payments until December 4, 1980. The program was due to start on January 6, 1981.

An official for the Social Security Administration stated that the lag in getting SSA recipients verified was due to the poor performance of local HEAP staff. He said that the time it took Social Security authorities to answer for SSA client information was approximately five days if locals had followed proper procedures. Local HEAP staff, on the other hand, blamed the Social Security Administration for the delay. It is SEOO's responsibility to ensure that client income is verified in a timely manner.

The Audit Council discussed with SEOO the problems causing delays in verification. The Council also met with DSS, SSA and VA officials to secure agreements that would provide timely, accurate, useable information to SEOO. The Council recommended that SEOO utilize all available verification data from agencies serving AFDC, SSI, Social Security, and VA clients. SEOO is planning to obtain timely detailed client information (printouts) from the Department of Social Services and the Social Security Administration. During the application period,

copies of these printouts will be given to specialists at the local agencies who will verify applicants who are categorically eligible.

Handicapped Verification Costly and Burdensome to Clients

Handicapped verification was costly and burdensome to clients. SEOO required handicapped applicants to have either a physician's statement or an agency letter documenting their disability. This applied even to visibly handicapped persons (missing limbs, etc.).

Six of the 14 agencies interveiwed by the Audit Council mentioned that local physicians had charged clients for verifying a handicap. Some clients paid as much as \$25 for verification. Clients were required to have a physician's statement because the definition chosen by the State for handicapped was interpreted by SEOO to require medical evidence. SEOO chose one of three options proposed by the United States Department of Health and Human Services (HHS) to define "handicapped." SEOO chose the definition of "disability" established by Title II of the Social Security Act for the SSA disability program, which reads:

- 1) "Inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months;" or
- 2) In the case of an individual who has attained the age of 55 and is blind, inability by reason of such blindness to engage in substantial gainful activity requiring skills or abilities comparable to those of any gainful activity in which he has previously engaged with some regularity and over a substantial period of time (Emphasis Added).

The State determined from this definition that an applicant needed documentation of the following type(s):

Doctor's statement; insurance documents which specifically identify the handicapped condition; or any other official document which identifies the handicapped condition of the household member.

Handicapped documentation should be relatively easy to obtain and should not cost a client if possible. There is data available from the Social Security Administration (SSA) which show the disability status of recipients of Title II SSA disability and Supplemental Security Income (SSI). This information could be used by local agencies to verify handicapped clients. [SEOO would have to ask the Department of Health and Human Services if the SSI definition of disability would be acceptable under the HEAP program.] Also a definition of "visibly handicapped" could be determined by SEOO, approved by HHS, and local caseworkers could verify visibly handicapped clients. These steps would lessen the cost and burden on clients.

Due to the cost and burden of obtaining documentation, the verification of handicapped clients was delayed. As a result, many of these clients, some of whom were among the most needy and who applied during the first days of the program, were not served. Some clients were unnecessarily required to have a physician's report verifying their handicap.

RECOMMENDATIONS

SEOO SHOULD PROVIDE ADEQUATE INCOME
VERIFICATION TRAINING TO LOCAL STAFF PRIOR
TO THE START OF THE HEAP PROGRAM.

MONITORING VISITS SHOULD BE TIMELY AND
SUCCEEDED BY ADEQUATE FOLLOW-UP.

SEOO SHOULD UTILIZE ITS CLIENT INFORMATION SYSTEM TO IDENTIFY POTENTIALLY FRAUDULENT APPLICATIONS AND TO DETERMINE THE APPLICATION ERROR RATE OF EACH LOCAL AGENCY.

SEOO SHOULD RECOVER ALL OVERPAYMENTS MADE TO CLIENTS.

SEOO SHOULD ADEQUATELY PLAN IN ADVANCE WITH OTHER STATE AND FEDERAL AGENCIES THE TIME NECESSARY TO OBTAIN ELIGIBILITY INFORMATION.

SEOO SHOULD MAKE FULL USE OF ALL AVAILABLE DATA TO VERIFY HANDICAPPED CLIENTS, INCLUDING THE USE OF INFORMATION AVAILABLE FROM DSS, THE SOCIAL SECURITY ADMINISTRATION AND OTHER GOVERNMENT AGENCIES.

SEOO SHOULD DEVELOP A DEFINITION FOR "VISIBLY HANDICAPPED" AND SUBMIT IT TO HHS FOR APPROVAL. SEOO SHOULD THEN PROVIDE GUIDELINES FOR CASEWORKERS TO FOLLOW IN VERIFYING HANDICAPPED TO AVOID REQUIRING PHYSICIAN STATEMENTS FROM THESE CLIENTS.

HEAP Application Form Needs Improvement

The HEAP application needs improvement. The application lacked adequate detail on income, making it impossible to relate the type of income to the method used to verify it. Several sections on the application were unnecessary. Data obtained from several other sections was of questionable validity. In addition, some local agencies required clients to complete their own application form in addition to the HEAP form. This impeded the application and verification process.

The agency did not foresee some of the problems associated with the new form. Consequently, the program application is too long, not easily understandable, and requires nonusable data. The Council examined a sample of 1,336 files and found 142 files or 11% of the applications were incomplete.

Program applications of any type should be devised stressing brevity, clarity, organization and usable data. Inadequate data on household income makes the program vulnerable to possible fraudulent activity. Collecting unnecessary data and requiring clients to complete two separate application forms resulted in the inefficient use of staff time.

RECOMMENDATIONS

THE STATE HEAP OFFICE SHOULD REQUIRE THE
USE OF ONLY ONE CLIENT APPLICATION FORM
FOR THE HEAP PROGRAM.

SEOO SHOULD MAKE THE FOLLOWING CHANGES
ON ITS HEAP APPLICATION:

1. REQUIRE DETAILED INCOME DATA;
2. RELATE TYPE OF INCOME TO METHOD OF VERIFICATION; AND
3. ELIMINATE ALL UNNECESSARY DATA.

Interagency Cooperation Needs Improvement

The administration of the HEAP program involved the cooperative efforts of various Federal, State and local public agencies and local private non-profit agencies. Although there was a great deal of coordination and cooperation between agencies, the Council found several areas which need improvement. In reviewing the cooperative efforts between agencies the Council contacted, by letter, ten utility companies and associations, the twenty HEAP administering agencies, eleven State human services agencies, four Indian associations and the 45 Chapters of the American Red Cross. Additionally, interviews were conducted with local agencies, community representatives and others.

The Council looked at three predominant areas:

- (1) Cooperation between the State HEAP Office (SEOO) and other State and Federal Officials;
- (2) Cooperation between the State HEAP Office and the local HEAP administering agencies; and
- (3) Cooperation between the entire HEAP program (both the State and local administering agencies) and other private and/or public entities.

(1) Cooperation Between the State HEAP Office and Other
State and Federal Officials

The Council found that the Federal Government has been slow in responding to the needs of the HEAP program, because there is a lack of "direction" from the Federal Government. Final program regulations were not issued until October 1980, and funding for the program was not granted until December 1980. By this time the State was well into the heating season.

At the State level, there have been problems in procuring accurate and timely client income information from DSS, Social Security Administration and the Veterans Administration (see p. 29).

(2) Cooperation Between the State HEAP Office and the
Local HEAP Administering Agencies

The Council interviewed local agency representatives to determine their perceptions of the degree of cooperation with the State office. Eight local agencies felt they had little input into the State HEAP plan. Additionally, two agencies noted that there were several instances where the State office was not cooperative, but overall, the local agencies felt the State Office was helpful - especially during monitoring visits. Most agencies were upset because their administration money was gone, yet they continued to work with the HEAP program on a regular basis.

The Council also examined monitoring reports and interviewed State HEAP staff to determine the local agency's degree of cooperation. Although most agencies were cooperative, there were some agencies who consistently did not follow instructions and procedures

or did not correct inadequacies. For example, four agencies consistently did not follow application ranking procedures.

(3) Cooperation Between the HEAP Program and Other Entities

The Council found that this area is in greatest need of improvement. It appears the degree of cooperation varied greatly from county to county. One utility association said that they felt some of the local agencies lacked the knowledge or interest in the program. A response from the Sumter County Red Cross indicated they were not made aware of the program. The Council contacted three major human services agencies in Anderson, since this was an area of specific concern. These agencies stated that they were given insufficient information concerning HEAP and not enough time to implement an effective referral or aid program. On the other hand, several local HEAP agencies were critical of public and private agencies who were uncooperative or who referred few of their clients.

From examining the types of problems encountered, it appears that most can be traced back to the short time frame of the program, i.e., most staff were not hired until late December because the Federal money was not available until then. There was also great difficulty in coordinating the efforts of so many diverse agencies. Not all local agencies had the training or experience in conducting such a program.

Coordination is, however, of primary importance to a program such as HEAP. The entire human services network should strive toward the goal of fulfilling the needs of eligible clients. Coordination should be carefully planned. Each agency should have a clear idea of its responsibilities and the overall goals of the program.

There are several effects of inadequate coordination. Primarily, there is inefficiency and duplication of effort, which results in the ineffective use of funds and staff time, and eligible clients may not be served. Although there was an adequate degree of cooperation, given the time constraints and inexperience, there is a need for improvement.

RECOMMENDATIONS

COOPERATION SHOULD BE IMPROVED BETWEEN THE HEAP PROGRAM AND STATE AND FEDERAL AGENCIES. THIS SHOULD INCLUDE FORMAL PLANNING SESSIONS AND FORMAL AGREEMENTS FOR THE EXCHANGE OF DATA.

THERE SHOULD BE STATEWIDE WORKSHOPS WITH REPRESENTATIVES OF VARIOUS PUBLIC AND PRIVATE HUMAN SERVICE AGENCIES WELL IN ADVANCE OF FUTURE HEAP PROGRAMS.

EACH LOCAL HEAP ADMINISTERING AGENCY SHOULD SUBMIT A PLAN FOR APPROVAL TO THE STATE HEAP OFFICE OUTLINING PLANS FOR COORDINATION WITH AGENCIES IN ITS AREA.

Ranking of Applications Performed Incorrectly

The weekly ranking or "prioritization" of client applications was performed incorrectly at most local agencies. Local agencies were

required to rank or arrange applications according to the applicants' household income and the date on which the application was verified. According to SEOO monitoring reports, 11 of 19 local agencies had problems with ranking applications. These reports stated that the problems were corrected in six out of 11 agencies. However, the problems at the Wateree and Midlands agencies were so severe that SEOO had to send State staff to repeat the ranking of applications for those agencies. Wateree had modified the required ranking procedures. When funds were low they identified the "more needy" applicants and served them. A report by SEOO monitors stated that over 100 cases were found in error due to Wateree's deviation from required procedures. The Midlands agency also had a high incidence of errors due to ranking deviations, causing some eligible clients not to be served.

The GLEAMS agency in Greenwood, serving a six county area, did not "prioritize" applications at all. The agency had begun serving only handicapped and elderly, then abandoned the ranking plan altogether and served every application approved each day. Two agencies, Anderson - Oconee Headstart and Darlington County Community Action Agency ranked applications on a daily basis instead of a weekly basis, as required. (Monitoring reports indicate this problem was corrected.) Carolina Community Actions, Inc. only served the \$0-\$3,000 income category and elderly and handicapped applicants.

These problems occurred because local agencies failed to comply with procedures required by the State Plan and outlined in the Operations Manual for the HEAP Program. Noncompliance stemmed partly from inadequate training of local staff. Interviews with local staff showed there was a lack of communication between SEOO and the local agencies.

The ranking procedures outlined in the State Plan and the Operations Manual are complex and apparently required more extensive explanation than was given to local agencies. The monitoring of local agencies was not timely and followup of problems was inadequate.

Ranking or "prioritization" procedures were outlined in the State Plan. Applications were to have been ranked on a weekly basis, according to verification date (earliest date first), and income (least income first). Certified applications within each county should have been arranged according to the following five income levels:

- a. \$ 0 - \$ 3,000
- b. \$3,001 - \$ 5,000
- c. \$5,001 - \$ 7,000
- d. \$7,001 - \$ 9,000
- e. \$9,001 - \$12,000

Persons in the 0 - \$3,000 income level were to have been served first each week. If certificates were still available, applicants in the \$3,000 - \$5,000 income level were to have been served--and so on until all certificates were gone.

Because proper procedures were not followed at most agencies, excessive staff time and resources were spent on correcting problems. Also, incorrect ranking caused clients who should have received assistance not to be served.

SEOO has developed a new "prioritization plan" for the FY 81-82 HEAP program. "Prioritization" will be done by computer at the State level rather than manually at the local level. This should eliminate many of the problems which occurred last year at the local agencies. At the start of the FY 81-82 program there will be an enrollment period during which applications will be taken. At the end of this period the assistance levels of applicants will be calculated by computer at SEOO.

Amounts of assistance will depend upon the amount of allocation to the State, number of applicants and the respective characteristics of these applicants. Client characteristics or factors to be used will be taken from the information provided by the client at the time of application. The factors to be considered are income, fuel type, climatic zone, type of dwelling and size of household.

These factors will be assigned relative values which the computer will use to calculate the assistance level of each eligible household.

Unfortunately, SEOO has questionable data to support the relative values chosen. For example, the values for fuel type are derived from 1) a survey done by one Advisory Committee member who surveyed fuel prices in the Columbia area only, and 2) a Pennsylvania report which shows only various general fuel factors such as efficiency.

The income values and values of type of dwelling and family size are based primarily on the "common sense" of SEOO planners. Originally, SEOO had planned to base values on the results of a survey of fuel vendors and households. However, after the survey was completed SEOO determined that the results were not statistically valid, so the data was not used. Overall the data used to establish these values is not as accurate or conclusive as necessary.

There are several reasons for this. The vendor and household survey failed to supply needed valid data, there was insufficient planning to develop a methodology to support the values, and no orderly collection of data. The sudden advent of a \$1.3 million supplement in September 1981 caused priorities to shift from planning for the FY 81-82 program to distributing the newly arrived funds.

However, the values assigned to the client factors are important and will determine, to a large extent, the amount of aid each person receives. They should be as accurate as possible and reflective of the factors considered. Unreliable or inaccurate values mean that the amount of aid each client receives may not be appropriate, i.e., some may receive too much and some may get too little.

The development of a more accurate instrument for measuring these factors and collecting needed data would be difficult, if not impossible for the FY 81-82 program, because there simply is not enough time. However, next year work on this project should be done as early and as accurately as possible so that factors are considered properly when assistance is disbursed.

RECOMMENDATIONS

SEOO SHOULD CONTINUE ITS EFFORTS TO DEVISE
A SYSTEM TO RANK APPLICATIONS AT THE
STATE LEVEL RATHER THAN THE LOCAL LEVEL.

SEOO SHOULD ENSURE THAT ADEQUATE RESEARCH
IS DONE TO SUPPORT VALUES CHOSEN TO CALCU-
LATE ASSISTANCE LEVELS.

Certificate Payment System Inefficient

The Audit Council examined the certificate system of benefit payments to HEAP clients and noted several problem areas. The denominations of the certificates were too small and the certificates required

too much time to complete. Energy certificates were printed in \$10 and \$50 denominations. Each certificate required filling in the applicant's name, address and signature, plus the local agency name and representative. Of the 14 local agencies interviewed, seven specifically commented that this process was time consuming and unnecessary. Agencies could issue up to 15 certificates per client, each of which had to be filled out completely. One agency (Piedmont) told the Council that it took an average of 17 minutes to fill out the certificates for each client who received the highest benefit payment (\$670).

Through conversations with State HEAP officials, it was apparent that they were attempting to devise a system which was accountable and ensured that energy certificates were spent solely on providing energy to a particular client. This system was developed in a short time span and at a time when the Federal Government was encouraging the states to use direct cash payment systems, which lack accountability.

According to the FY 80-81 State HEAP Plan:

The use of the energy certificate will provide an efficiently operated method of payment while simultaneously providing:

- i. Control of obligation
- ii. Accurate available data
- iii. Rapid payment to vendors

Although the final three provisions were met, for the most part, the goal of efficiency was not. Using as many as 15 certificates per client required an inordinate amount of staff time and contributed to the number of certificates which clients lost.

SEOO has recognized that these problems existed in the HEAP program. According to HEAP staff, for future programs, HEAP plans to issue each client one energy certificate. This certificate will be

printed with the specific amount designated for that particular client. The client can then take the certificate to the vendor of choice, endorse the certificate and receive the services. This system should significantly reduce paperwork, administration and errors. It is similar to the two-party check system used in eight states during the FY 80-81 program. However, the SEOO certificate has the added benefit of being nonnegotiable.

RECOMMENDATION

SEOO SHOULD FOLLOW THROUGH WITH PLANS TO
DISBURSE HEAP BENEFITS USING ONLY ONE
CERTIFICATE PER CLIENT.

Client Outreach Needs Improvement

Adequate client outreach was a significant problem for the HEAP Program and could be improved. An in-depth study of 15 local agencies by the Audit Council shows:

1. The number of locations taking applications varied greatly from county to county. For example, the Low Country Community Action Agency had one center for every 167 applicants while the Midlands Community Action Agency had only one location for every 1,296 applicants. Overall the 15 agencies averaged one location for every 338 applicants.
2. The ratio of in-town locations to rural locations varied greatly. One agency (Sunbelt) had a ratio of 17 (rural) to one (urban) while another agency (Lowcountry) had a one to one (6 urban, 6 rural) ratio (see Table 5).

3. All centers did not open on the same date. Most agencies opened their in-town centers on January 6, 1981, and their rural outreach centers on this date or within a few days. Four agencies did not open on January 6, but opened in-town and rural locations within a week of each other, except for Anderson. Anderson opened its in-town location on January 5 and closed it on January 13. However, the three rural centers were delayed until January 29 and were operated for only two days.

Monitoring reports confirm there was an overall lack of planning and coordination by SEOO concerning client outreach and service provision to rural areas. SEOO monitoring reports cite seven (35%) of the 20 local agencies deficient in their outreach efforts.

TABLE 5
NUMBER OF IN-TOWN AND OUTREACH LOCATIONS AND OPENING DATES OF
SAMPLED HEAP APPLICATION CENTERS, JANUARY 1981

<u>Local Agency</u>	<u>Number of Counties Served</u>	<u>In-town Locations</u>		<u>Outreach Locations</u>	
		<u>Number</u>	<u>Opening Date(s) (January)</u>	<u>Number</u>	<u>Opening Date(s) (January)</u>
Aiken	2	1	6th	6	6-13th
Anderson	1	1	5	3	29
Berkeley-Dorchester	2	2	6	3	8
Charleston	1	1	6	13	6
Darlington	1	1	6	3	6
Dillon-Marion	2	1	6	3	6
Florence	1	1	6	7	6
GLEAMS	6	1	6	7	6-12th
Lowcountry	2	6	7-12	6	12
Midlands	4	1	7	4	7
Orangeburg	4	1	6	10	6
Piedmont	2	2	6	6	6
Sunbelt	1	1	6	17	6
Waccamaw	3	5	6	10	6
Wateree	<u>4</u>	<u>4</u>	13	<u>8</u>	13
TOTAL	<u>36</u>	<u>29</u>		<u>106</u>	

Source: Legislative Audit Council Survey of Local Agencies.

The most serious example of inadequate outreach found by the
Audit Council was in Anderson County. A June 1981 study of Anderson

applicants by HEAP staff reported that 51% of those served were rural. However, according to an Audit Council survey of Anderson files, only 39% of those served had rural addresses. A subsequent study of all of Anderson's files by HEAP staff confirms that only 39% of Anderson's clients were rural while information provided by the State Division of Research and Statistical Services lists over 59% of Anderson's population as rural.

Outreach activities should serve to notify potential clients of services, target information to special groups such as elderly or handicapped, and provide ample locations and personnel to serve clients. In order to accomplish this task effectively, the State should guide local agencies in choosing the appropriate types of outreach, selecting who should be contacted, and other facets of this important function. The State should have a clear idea of what each agency is doing, where applications are taken and the appropriateness of all activities. In this way there will be a minimum of wasted effort, money and unserved clients.

As a result of inadequate outreach efforts, some needy eligible clients did not receive assistance and some areas of the State, especially rural areas, were not adequately served.

RECOMMENDATIONS

THE STATE HEAP OFFICE SHOULD DEVELOP COMPREHENSIVE STANDARDS CONCERNING ADEQUATE OUTREACH EFFORTS AND SHOULD PROVIDE LOCAL AGENCIES WITH THESE SPECIFIC STANDARDS.

THE STATE HEAP OFFICE SHOULD REQUIRE LOCAL AGENCIES TO SUBMIT FOR APPROVAL, LOCAL PLANS OUTLINING SUCH FACTORS AS APPLICATION LOCATIONS, COOPERATION WITH OTHER AGENCIES, OPENING DATES, AND OTHER PERTINENT DETAILS.

Inadequate Follow-up to SEOO Monitoring Visits

SEOO staff identified problems through monitoring visits to local agencies but did not perform timely follow-up or take appropriate actions to ensure that problems identified were corrected. As a result, problems at local agencies were not corrected promptly.

The Council examined all 112 monitoring reports and found the following examples of untimely follow-up and lack of disciplinary action.

- In a monitoring report dated March 9, 1981 an SEOO monitor stated considerable concern about the Wateree program after a February 4, 1981 visit. Despite this concern, HEAP officials did not schedule the monitor to make another visit to the program until almost three weeks later (February 23). However, by this time the problems at Wateree were severe.
- On a monitoring visit to Orangeburg on February 26, 1981, SEOO staff found a major financial problem due to an error in issuing certificates. No followup visit was made until April 13, 1981 (almost 2 months later). The monitoring report for this visit stated that the monitor did not have adequate time to complete balancing the records. Since there were no further reports, there is no documentation to indicate whether or not this problem was corrected.

- A monitoring report of February 17, 1981 stated that Chesterfield-Marlboro Agency had misused their funds for the handicapped. The next monitoring visit on March 20, 1981, showed that the problem still existed but SEOO took no action. Finally, in a report dated May 15, 1981 (almost 3 months since the problem was first reported), SEOO gave Chesterfield-Marlboro Agency a deadline of June 30, 1981 to correct the problem. There were no further monitoring reports to document whether or not the problem was ever corrected.

Poor planning and a lack of effective procedures lead to untimely follow-up and lack of action to ensure correction of problems. SEOO neglected to establish a system to ensure proper follow-up. In addition, their scheduling of monitoring visits did not allow for timely follow-up of agencies where problems were found.

The type of monitoring program required by the FY 80-81 Federal Regulations (45 CFR Part 260) was that which would enable the State to "identify and correct problems in a timely way, especially problems of compliance... including coordination, outreach, certification, data collection, levels of assistance, agreements with home energy suppliers, verification of income, and timeliness of assistance." The State Plan for HEAP stated that monitoring teams composed of one person from the field operations section of SEOO and one person from the fiscal section would jointly make at least one visit per month to each local operating agency. The FY 80-81 program lasted 6 months and the SEOO staff made an average of six visits to each local agency. However, each agency was not visited once a month. The number of visits ranged from three visits to Carolina Community Action to eight visits to Darlington Community Action.

SEOO sent letters to local agencies identifying deficiencies found during monitoring visits. The State Plan provides authority for disciplinary action to be taken when local agencies fail to correct deficiencies within 30 days of notification. However, despite the authority given to it, SEOO did not adequately enforce the correction of these deficiencies.

The effect of untimely follow-up and lack of enforcement was that problems at local agencies were not corrected promptly. This inefficiency caused some inequitable distribution of funds and prevented some eligible clients from receiving assistance.

In essence, SEOO fulfilled only a part of the requirements set out by HHS in its Federal Regulations for the program. They identified deficiencies but did little to ensure that they were corrected.

RECOMMENDATIONS

SEOO SHOULD ENSURE THAT MONITORING FOLLOW-UP VISITS ARE TIMELY.

SEOO SHOULD MAINTAIN A LOG TO MONITOR THE STATUS OF ALL PROBLEMS FOUND DURING MONITORING VISITS. THE LOG SHOULD BE ORGANIZED TO DENOTE TYPE OF PROBLEM, NAME OF AGENCY, DATE AGENCY WAS NOTIFIED ABOUT CORRECTIVE ACTION, AND DATE THE PROBLEM WAS RESOLVED.

IF LOCAL AGENCIES FAIL TO CORRECT DEFICIENCIES WITHIN SPECIFIED TIMES, SEOO SHOULD BEGIN ENFORCEMENT PROCEDURES.

Appeals Process Costly and Time Consuming

The HEAP appeals process is inefficient and causes unnecessary appeals to be made. Instructions to clients on the appeals procedure were unclear. SEOO received 2,342 "appeal request" forms from clients. When contacted and informed of the appeals process, 2,152 waived their appeals. The appeals process required an excessive amount of staff time which could have been applied to other areas of the program. Three State HEAP staff members spent eight months to administer the HEAP appeal process at an administrative cost of \$62,590.

All clients who applied for the HEAP program received appeal request forms with their acceptance or denial notices. Clients wishing to appeal could send the appeal request forms to the State HEAP office. SEOO staff processed each appeal request by collecting and analyzing local agency files, contacting the appellant and scheduling hearings. Appeals were made by persons denied assistance because of ineligibility and by clients who thought their assistance was inadequate. However, the majority of appellants were persons denied due to insufficient HEAP assistance funds.

Supplying these forms to all applicants caused a misunderstanding. Practically all of the HEAP grant award had been obligated to serve eligible clients by the third week after the HEAP program started. Eligible clients denied for lack of HEAP funds still received appeal request forms. This procedure caused unnecessary appeals to be made. Many clients denied for lack of funds returned the form believing they would still receive HEAP assistance although no funds were available. SEOO told the Council that they believe this created the large number of appeals.

Federal Regulations called for a complex appeal process. It required the State to receive appeals and to provide an opportunity for a fair hearing for dissatisfied households. Accordingly, the State Plan allowed anyone applying for the HEAP program to make an appeal.

The appeal process should be speedy and consider only valid claims. Once the HEAP program obligated all of its energy assistance funds to clients, the State HEAP office could do little to help clients who were denied due to lack of funds. The State HEAP office is required only to notify HEAP applicants of the appeal process. Dissatisfied clients could then contact the local agencies or State HEAP office for appeal request forms. Funds are available for clients awarded assistance as a result of the appeals process.

Allowing the large number of appeals to be made by clients denied for lack of funds prevented SEOO from expeditiously serving upheld appeals. In addition, it raised clients' expectations of obtaining assistance when there were no HEAP assistance funds remaining. State HEAP staff also could have been used more effectively in other areas of the program.

SEOO estimated that the appeals process cost an average of \$26.72 per appeal resulting in a total cost of \$62,590 for the FY 80-81 program. Next year SEOO plans to serve all income eligible clients who apply for the program (see p. 20). This should help reduce the number of appeals and lower the cost of administering the appeals process.

RECOMMENDATION

IN SEOO'S NOTIFICATION OF DENIAL OR ACCEPTANCE LETTER, ALL CLIENTS SHOULD BE

INSTRUCTED TO CONTACT THEIR LOCAL HEAP
OFFICE FOR APPEAL FORMS AND ASSISTANCE IF
THEY WISH TO APPEAL.

Training of Local Staff Needs Improvement

The Audit Council found that training for the FY 80-81 HEAP program was untimely and needs improvement. According to seven of 14 local agencies, training for the FY 80-81 program was inadequate.

Originally, SEOO had planned to send five teams to the local agencies to conduct two-day training sessions. However, since the program was late in starting, SEOO asked each local agency to bring available HEAP staff to the State Office for one full day of training. Delayed receipt of Federal funds kept local agencies from hiring staff until January 5-6, 1981 (the day before and, in some cases, the day which the program started). Therefore, in most cases only administrative staff from the local agencies attended the training sessions. Local intake and outreach workers did not receive training at the State Office.

Problems arose due to local staffs receiving improper instructions. One SEOO field instructor informed staff from Dillon-Marion that they had only to examine documentation and not retain it for the file. This misinformation affected approximately 150 applicants before the problem was caught by SEOO monitors. In addition, a training film prepared by SEOO for local agency use was not distributed to local agencies until December 30, 1980.

Most of these problems which led to inadequate training were caused by the rushed implementation of the program due to delayed receipt of Federal funds.

The complexity of the HEAP program required staff to have an adequate understanding of a number of procedures, including application, verification and certification procedures. Programs cannot be effective or efficient without properly trained staff to implement them. Thorough training should have been given to all local HEAP staff a reasonable amount of time before the program started. Since the receipt of Federal funds for the FY 80-81 program was delayed, SEOO could have postponed the start of the HEAP program at least one week to ensure adequate training was given to local staffs.

As a result of untimely and inadequate training, many errors occurred. This cost SEOO additional staff time and resources and caused a number of eligible clients not to receive assistance.

RECOMMENDATIONS

SEOO SHOULD TAKE STEPS TO IMPROVE THE TRAINING GIVEN TO STAFFS OF FUTURE HEAP PROGRAMS, EVEN DELAYING THE START OF THE PROGRAMS IF NECESSARY.

TRAINING EMPHASIS SHOULD BE PLACED ON THE CORRECT COMPLETION OF APPLICATIONS, CORRECT VERIFICATION AND DOCUMENTATION OF CLIENT INCOME AND PROPER FINANCIAL REPORTING.

Weatherization Program Not Coordinated With HEAP

SEOO did not adequately coordinate the HEAP program with its State Weatherization Assistance Program. The Council's review of 1,336

client files found that clients were not referred to the Weatherization Program.

SEOO is the administering agency for the State Weatherization Assistance Program, as well as the HEAP program. In the Council's review of 1,336 files, eight applications had notes attached indicating that the local intake workers recommended the clients' homes to be weatherized. However, weatherization officials could not tell the Audit Council of any client referrals from the HEAP to the weatherization program. HEAP applications provided no space for clients to indicate a need for weatherization services. In addition, SEOO's monitoring reports made no mention of any referral process at local levels. There was a lack of management emphasis on the coordination of the two programs.

The Weatherization Program provides basic home weatherizing to prevent heat loss. This process includes caulking around windows and doors, insulating floors and ceilings, weatherstripping and installing storm windows. Since the Weatherization Assistance Program inception in 1976, 14,651 homes have been weatherized. However, the program has a backlog of 6,353 eligible homes to be served as of October 12, 1981.

Low income households applying for HEAP energy assistance may request that their homes be weatherized. Federal Regulations required the State HEAP office to make referrals of needy clients to the Weatherization Program.

A State plan must provide assurance that there will be, to the maximum extent possible, referral of individuals to, and coordination with, existing Federal, State and local weatherization and conservation efforts (45 CFR Part 260.58).

Not referring clients to the Weatherization Program has several effects. Primarily, dollar assistance for energy from HEAP or other energy assistance programs is wasted in homes not weatherized. Un-weatherized homes do not use fuel efficiently. These homes have higher fuel bills which create a stronger need for assistance from energy subsidized programs. Therefore, more dollars are needed per client, decreasing the total number of clients that can be served.

The South Carolina Public Service Authority (Santee-Cooper) told the Audit Council:

"...(HEAP), like a great many of the social assistance programs available today, treats the symptoms rather than a cause. For instance a home experiencing a high heating cost will continue to have a high (and higher as energy costs increase) cost until the problem is identified and corrected."

The agency said:

"...it appears that we have a flaw in a system that will assist in the payment of heating bills with no organized follow-up to reduce the likelihood that the applicant will find himself in a similar situation in the future."

Perhaps the backlog of homes which need weatherization services can be cleared. The HEAP FY-82 Federal Regulations allow states to use up to 15% of the total grant award for weatherization. SEOO plans to initiate this option for the full 15% of the HEAP grant award.

RECOMMENDATIONS

SEOO SHOULD DEVELOP AN EFFECTIVE SYSTEM TO REFER HEAP CLIENTS TO THE WEATHERIZATION PROGRAM. SUCH A REFERRAL SYSTEM SHOULD INCLUDE SOME METHOD OF RANKING HOMES NEEDING WEATHERIZATION THE MOST.

SEOO SHOULD INITIATE ITS OPTION TO ALLOCATE
A PORTION OF THE HEAP APPROPRIATION FOR
WEATHERIZATION FOR FY 81-82.

Possible Sales Tax Evasion by Vendors

The Audit Council found that 386 of 1,283 vendors' names who contracted with SEOO in FY 80-81 were not registered with the Sales Tax Division of the South Carolina Tax Commission. This indicates that vendors selling to clients of the HEAP program may have evaded the 3% State sales tax on residential fuel.

The Audit Council compared SEOO's list of approved fuel vendors to the vendors listed on the retail sales tax files at the Tax Commission. The comparison showed that 30% of the vendors listed on SEOO's files were not found under the same name on Tax Commission records. This could be due to some vendors having different names on Tax Commission and SEOO's files. The possibility also exists that some vendors have failed to apply for a retail license with the Sales Tax Division.

According to Section 12-35-550 (37A) of the 1976 Code of Laws:

Notwithstanding any other provision of law, for fiscal year 1980-1981, a three percent sales tax shall be assessed on the gross proceeds of the sale of electricity, natural gas, fuel oil, LP gas, coal or any other such combustible heating material or substance used for residential purposes.

Sales by the 386 vendors to persons outside of the HEAP program is not known. However, these vendors received approximately \$1.3 million from SEOO in FY 80-81 for sales to HEAP recipients. Therefore, the State may have lost at least \$39,000 in uncollected sales tax. The Sales Tax Division of the Tax Commission is further investigating these

vendors to determine if they are properly licensed and paying the retail sales tax as required by law.

RECOMMENDATION

THE SOUTH CAROLINA TAX COMMISSION SHOULD CONTINUE TO INVESTIGATE THE NAMES OF THE 386 VENDORS LISTED ON SEOO'S RECORDS TO DETERMINE IF THEY ARE PROPERLY LICENSED AND PAYING THE RETAIL SALES TAX AS REQUIRED BY LAW.

Recall of Local Agency Funds

SEOO recalled HEAP administrative funds before all HEAP work was complete in the local agencies. SEOO used \$104,327 in local agencies' administrative funds to cover its own administrative expenditures.

According to the State Plan, SEOO allocated \$718,832 in administrative funds to local agencies. These funds were used to hire staff, purchase supplies and cover required travel plus other HEAP operating expenditures. In agreements with local agencies, excess administrative funds would be returned upon SEOO's request and would be converted into energy assistance payments to aid clients.

In a letter dated May 22, 1981, SEOO requested each local agency to terminate HEAP staff and report the balance of HEAP administrative funds. This letter stated in part:

With the closeout of HEAP application activities at the local level, there is no longer justification to retain HEAP staff on the payroll. Therefore, effective immediately and in accordance with the

personnel policies used in your agency, payment of all salaries for HEAP personnel except for one person of your choice must be discontinued.

SEOO also asked local agencies not to spend HEAP administration funds beyond May 31, 1981 except for costs required to support the one remaining employee. Further written correspondence with local agencies required unused HEAP administrative funds be returned to the State office by June 30, 1981 and the termination of the one remaining employee. However, local agencies were also asked to rank clients who were denied assistance and provide a list of these clients to SEOO. Audit Council staff observed local agency personnel performing this task as late as August 1981. Obviously the June 30 date for terminating the one employee was too early. Other programs the local agencies administer had to pay for the ranking of applications.

SEOO told the local agencies excess HEAP administration funds would be used as energy assistance payments to serve additional clients. As stated in a June 18, 1981 letter:

The administrative funds returned by each agency will be converted to direct assistance and used to serve the large number of applicants who were eligible but not served because of lack of funds.

As noted in Table 6, SEOO used the \$104,327 to cover its administrative expenditures for May 1981 despite the stated intentions of serving additional households. However, due to receiving a \$300,000 State Appropriation in July 1981, SEOO was able to ensure that clients received assistance in the amount of administrative funds recalled. Inaccurate forecasting and planning caused SEOO to exceed its planned administrative budget.

SEOO's total recall of administrative funds and the early termination of local agencies' staffs contributed to program inefficiency, because SEOO required additional work from local agencies after the money was

returned. This also reduces the confidence of the local agencies in the State's ability to efficiently plan and administer Federally-funded programs such as HEAP.

TABLE 6
SEOO ADMINISTRATIVE CASH FLOW SCHEDULE FOR THE
HOME ENERGY ASSISTANCE PROGRAM (HEAP)
OCTOBER 1, 1980 TO SEPTEMBER 30, 1981

<u>Month</u>	<u>Funds Available</u>	<u>Expenditures</u>	<u>Fund Balance</u>
October	\$100,000 ¹	\$22,249	\$77,751
November		38,939	38,812
December		31,363	7,449
January	179,221 ²	55,825	130,845
February		34,302	96,543
March		54,823	41,720
April		34,307	7,413
May		42,373	(34,960)
June	104,327 ³	38,516	30,851
July	300,000 ⁴	32,281	298,570
August		15,343	283,227
September	103,034 ⁵	101,316	284,945

¹Community Services Administration (CSA) FY 80 Energy Crisis Intervention Program (ECIP) authorized carryover for SEOO's use.

²SEOO's percentage of HEAP grant award (\$11,974,035) budgeted for State administration.

³Unused HEAP administration "called-back" from local agencies to be converted into direct assistance.

⁴Energy Assistance - State Match funds appropriated for FY 81-82.

⁵SEOO's percentage of HEAP supplemental award (\$1,373,783) budgeted for State administration.

RECOMMENDATION

IF SEOO REQUIRES LOCAL AGENCIES TO PERFORM
HEAP SERVICES, SEOO SHOULD REIMBURSE THEM
FOR THEIR COSTS.

HEAP and Energy Crisis Assistance Program (ECAP) Comparison

The Audit Council was requested to compare the FY 80-81 Home Energy Assistance Program (HEAP) and the FY 79-80 Energy Crisis Assistance Program (ECAP). Energy assistance levels and administrative costs were higher for HEAP than for ECAP.

Table 7 shows that the State used \$5,231,196 more in energy assistance for HEAP than it did for ECAP. Each household also received more aid from the HEAP program which is indicated by the average assistance payment of \$339 compared to \$138 for the Energy Crisis Program. However, due to the higher benefit levels that a client could receive, the HEAP program served 15,893 clients less than the ECAP program.

It cost \$351,206 more to administer the HEAP program. The cost of processing an application was \$20.39 compared to \$13.90 for the previous year's Energy Crisis Assistance Program.

TABLE 7
COMPARATIVE SUMMARY OF EXPENDITURES FOR
THE FY 79-80 ECAP AND FY 80-81 HEAP PROGRAMS¹

<u>Energy Assistance Payments</u>	<u>ECAP</u>	<u>HEAP</u>
Total Energy Assistance	\$7,282,464	\$12,513,660 ²
Total Number of Clients Served	52,768	36,875
Average Assistance Payment	\$ 138.01	\$ 339.35
<u>Administrative Costs</u>		
Local Agencies		
Total Costs	\$ 420,833	\$ 606,610
Number of Applications	54,453	54,348
Cost per Application	\$ 7.73	\$ 11.16
SEOO		
Total Costs	\$ 336,208	\$ 501,637
Number of Applications	54,453	54,348
Cost per Application	\$ 6.17	\$ 9.23
Combined Administrative Costs		
Total Costs	\$ 757,041	\$ 1,108,247
Number of Applications	54,453	54,348
Cost per Application	\$ 13.90	\$ 20.39

¹ECAP and HEAP cost and application statistics for local agencies are detailed in Appendix C.

²Under the HEAP program, 36,875 clients were issued HEAP certificates totalling \$12,513,660. However, only \$12,222,250 certificates were actually redeemed by clients for energy.

There are several reasons for these differences. The HEAP program was substantially more complex than ECAP. Federal Regulations required HEAP eligibility be based on income, thus making it an assistance program, much the same as food stamps or AFDC. The 38 pages of HEAP Federal Regulations (compared to four pages for ECAP), also required detailed administration and financial reporting of the HEAP program. In addition, the HEAP State Plan required more accurate accountability and control insuring the use of HEAP assistance payments solely for energy. SEOO established a certificate system for HEAP where certificates would be issued to clients instead of direct payment checks. Certificates were redeemable only at energy vendors. SEOO paid vendors when certificates were returned to the State office.

ECAP, on the other hand, provided energy assistance to low income households based on energy-related crisis, i.e., need. Clients applying for ECAP had to meet low income requirements and demonstrate a need for assistance by showing unpaid fuel bills or attesting to the threat of service termination. Energy assistance was paid directly to vendors by establishing a credit account for clients.

SEOO contracted with 20 local agencies to administer both HEAP and ECAP (see Appendix B). Since HEAP assistance was based on income, local agency staffs were required to verify income reported on each application. Before clients could be served, the State Plan called for each application to be ranked. Neither of these was a requirement of ECAP.

Local agencies received \$718,832 for HEAP administration. The State Plan allocated these funds based on energy assistance provided to each county. As shown in Table 7, local agencies used \$606,610

of their total administrative allotment. The local agencies' average administrative cost of an application increased from \$7.73 under ECAP to \$11.16 for the HEAP program. The expanded requirements and responsibilities from Federal Regulations and the State Plan, as listed previously, are responsible for the HEAP administrative increase.

It is the Council's conclusion that the increased administrative cost of the HEAP program was due to more extensive Federal requirements for program administration and financial reporting and State requirements for accountability and control.

APPENDICES

APPENDIX A
LIST OF TABLES

<u>Table</u>		<u>Page</u>
1	South Carolina Eligibility Table	15
2	Funds Available and Expenditures for the Home Energy Assistance Program, FY 80-81	19
3	Average Benefit Levels per Household for Energy Assistance Programs in Eight Southeastern States, FY 80-81	21
4	HEAP Payment Assistance Amounts by Household Income by Region, FY 80-81	22
5	Number of In-town and Outreach Locations and Opening Dates of Sampled HEAP Application Centers, January 1981	46
6	SEOO Administrative Cash Flow Schedule for the Home Energy Assistance Program (HEAP), October 1, 1980 to September 30, 1981	60
7	Comparative Summary of Expenditures for the FY 79-80 ECAP and FY 80-81 HEAP Programs	62

APPENDIX B

LOCAL ADMINISTERING AGENCIES

Agency and Counties Served

(* Indicates that agency was
visited by Audit Council.)

*Aiken County Community Action Commission, Inc.
(Aiken and Barnwell)

*Anderson-Oconee Headstart Program
(Anderson)

Beaufort-Jasper Economic Opportunity Commission, Inc.
(Beaufort and Jasper)

*Berkeley-Dorchester Counties Economic Development Corp.
(Berkley and Dorchester)

Carolina Community Actions, Inc.
(York, Chester, Lancaster and Union)

*Charleston County Economic Opportunity Commission
(Charleston)

Chesterfield-Marlboro Economic Opportunity Council, Inc.
(Chesterfield and Marlboro)

*Darlington County Community Action Agency
(Darlington)

*Human Resources Development Commission of
Dillion-Marion Counties
(Dillion and Marion)

*Florence County Office of Economic Opportunity Committee
(Florence)

*Sunbelt Human Advancement Resources, Inc. (Share)
(Greenville)

*GLEAMS Human Resources Commission, Inc.
(Greenwood, Laurens, Edgefield, Abbeville,
McCormick and Saluda)

*Lowcountry Community Action Agency, Inc.
(Colleton and Hampton)

*Midlands Human Resources Development Commission
(Fairfield, Lexington, Newberry and Richland)

APPENDIX B (CONTINUED)

Oconee County Council
(Oconee)

*Orangeburg-Calhoun-Allendale-Bamberg CAA, Inc.
(Orangeburg, Calhoun, Allendale, Bamberg)

Pickens County Department of Social Services
(Pickens)

*Piedmont Community Action, Inc.
(Spartanburg and Cherokee)

*Waccamaw Economic Opportunity Council, Inc.
(Horry, Georgetown, Williamsburg)

*Wateree Community Action, Inc.
(Sumter, Kershaw, Clarendon and Lee)

APPENDIX C

FY 79-80 ENERGY CRISIS ASSISTANCE PROGRAM (ECAP)

SCHEDULE OF EXPENDITURES BY LOCAL AGENCY

<u>Local Agency</u>	<u>Total Assistance</u>	<u>Total Applications</u>	<u>Applications Served</u>	<u>Average Benefit Level</u>
Aiken	\$ 253,790	1,876	1,616	\$157.05
Anderson Headstart	197,061	1,363	1,156	170.47
Beaufort - Jasper	231,860	3,839	3,769	61.52
Berkeley - Dorchester	271,686	2,493	2,294	118.43
Carolina	588,190	2,582	2,441	240.96
Charleston	437,807	1,602	1,602	273.29
Chesterfield - Marlboro	249,747	3,143	3,107	80.38
Darlington	168,314	1,141	1,100	153.01
Dillon - Marion	296,124	1,823	1,823	162.44
Florence	248,732	1,945	1,843	134.96
GLEAMS	710,996	3,986	3,922	181.28
Lowcountry	218,348	2,159	2,102	103.88
Midlands	709,285	4,321	4,256	166.66
Oconee County Council	129,743	819	799	162.38
Orangeburg	520,025	4,258	4,236	122.76
Pickens DSS	150,706	998	912	165.25
Piedmont	432,860	2,556	2,387	181.34
Sunbelt	344,477	2,427	2,372	145.23
Waccamaw	507,746	4,211	4,187	121.27
Wateree	614,967	6,911	6,844	89.85
TOTAL	<u>\$7,282,464</u>	<u>54,453</u>	<u>52,768</u>	<u>\$138.01</u>

(State Average)

Source: State Economic Opportunity Office

APPENDIX C (CONTINUED)

FY 80-81 HOME ENERGY ASSISTANCE PROGRAM (HEAP)

SCHEDULE OF EXPENDITURES BY LOCAL AGENCY

<u>Local Agency</u>	<u>Total Assistance</u>	<u>Total Applications</u>	<u>Applications Served</u>	<u>Average Benefit Level</u>
Aiken	\$ 484,300	2,773	1,773	\$273.15
Anderson Headstart	490,540	1,424	1,248	393.06
Beaufort - Jasper	273,660	1,745	1,030	265.69
Berkeley - Dorchester	346,520	1,546	1,341	258.40
Carolina	869,580	2,715	2,104	413.30
Charleston	929,360	4,072	4,009	231.82
Chesterfield - Marlboro	353,890	2,364	926	382.17
Darlington	273,970	1,558	744	368.24
Dillon - Marion	397,760	1,631	1,207	329.54
Florence	432,690	1,936	1,101	393.00
GLEAMS	724,830	3,552	2,042	354.96
Lowcountry	255,900	2,007	1,061	241.19
Midlands	1,384,490	6,482	4,812	287.72
Oconee County Council	250,200	812	602	415.61
Orangeburg	644,700	4,065	2,156	299.03
Pickens DSS	233,560	1,038	531	439.85
Piedmont	1,120,390	3,132	2,501	447.98
Sunbelt	1,400,270	3,439	2,930	477.91
Waccamaw	743,340	3,640	2,175	341.77
Wateree	903,710	4,417	2,582	350.00
TOTAL	<u>\$12,513,660</u>	<u>54,348</u>	<u>36,875</u>	<u>\$339.35</u>

(State Average)

APPENDIX C (CONTINUED)

ADMINISTRATIVE COST COMPARISON OF THE ECAP AND
HEAP PROGRAMS BY LOCAL AGENCY

<u>Local Agency</u>	<u>ECAP FY 79-80</u>		<u>HEAP FY 80-81</u>	
	<u>Total Administration</u>	<u>Cost per Application</u>	<u>Total Administration</u>	<u>Cost per Application</u>
Aiken	\$ 16,585	\$8.84	\$ 27,172	\$ 9.80
Anderson Headstart	13,431	9.85	22,319	15.67
Beaufort - Jasper	12,420	3.24	9,544	5.47
Berkeley - Dorchester	18,242	7.32	19,444	12.58
Carolina	35,702	13.83	39,182	14.43
Charleston	11,539	7.20	36,420	8.94
Chesterfield - Marlboro	18,254	5.81	17,091	7.23
Darlington	10,932	9.58	14,370	9.22
Dillon - Marion	9,054	4.97	19,269	11.81
Florence	11,644	5.99	21,145	10.92
GLEAMS	47,166	11.83	39,968	11.25
Lowcountry	14,352	6.65	12,604	6.28
Midlands	45,572	10.55	69,114	10.66
Oconee County Council	7,169	8.75	6,525	8.04
Orangeburg	34,212	8.03	31,619	7.78
Pickens DSS	8,458	8.47	9,859	9.50
Piedmont	13,558	5.30	47,052	15.02
Sunbelt	22,438	9.25	82,496	23.99
Waccamaw	30,994	7.36	40,332	11.08
Wateree	39,111	5.66	41,085	9.29
TOTAL	<u>\$420,833</u>	<u>\$7.73</u>	<u>\$606,610</u>	<u>\$11.16</u>
	(State Average)		(State Average)	



State of South Carolina

Office of the Governor

RICHARD W. RILEY
GOVERNOR

February 9, 1982

OFFICE OF EXECUTIVE
POLICY AND PROGRAMS

Mr. George L. Schroeder, Director
Legislative Audit Council
620 Bankers Trust Tower
Columbia, South Carolina 29201

Dear Mr. Schroeder:

I am writing you to make some observations regarding the report of the S. C. Legislative Audit Council on the Home Energy Assistance Program.

At the outset, I concur with the report concluding that the program was complex. The regulations, as your staff properly observed, were much more voluminous than any heretofore applicable to any energy assistance program.

The late release of these regulations in final form, October 7, 1980 made last minute changes essential. Thus, it became apparent there would be difficulty in meeting Congressional intent for the program. The funds were intended to "provide assistance to eligible households to offset the rising costs of home energy that are excessive in relation to income."

Further compounding the problem of specific available final regulations was the late receipt of funds. This has become an annual problem. States cannot begin the program without funds and these have generally not been available until December or January. Thus, applications could not be taken since the regulations required notification of action on applications within a specified period of time from the date of application.

The State did not receive notification of approval of the Plan until early December 1980. No funds were available to enable local operational agencies to employ staff until late in December when grant funds were received. This situation affected the operation of the program, particularly with regard to training.

Your staff is aware that the Division obtained recommendations for the Fiscal Year 1982 Low Income Home Energy Assistance Program in early 1981. Local agency Energy Advisory Committees were asked to respond to a questionnaire making recommendations for the current program which is to be conducted in the period October 1, 1981 through September 30, 1982.

DIVISION OF ECONOMIC OPPORTUNITY
1712 HAMPTON STREET, COLUMBIA, S. C. 29201

These recommendations were valuable in shaping the current energy assistance program. This input coupled with the decision of the Congress to make the grant for Fiscal Year 1982 a block grant enabled the Division to develop a more flexible, responsive program to meet the needs of the poor for energy assistance. No longer burdened with explicit, complex federal requirements, the State has created a program that is as we wanted it to be. That is, a program that moves in the direction of equity based on objective standards.

It is our belief that the 1981 Fiscal Year program was conducted as best it could be done given the regulatory constraints under which it was conceived and conducted. It is apparent, as your report suggests, that there is the ultimate question of intent. That is, to serve the family so that the funds impact upon the total need of the household. Or, whether it should be designed to assist as many people as possible with funds available. It would seem the Congress has not fully decided which should be the prevailing philosophy.

The Division, now provided the essential flexibility of the block grant for energy assistance has redesigned the energy assistance program for Fiscal Year 1982. This program has functioned extremely well this fiscal year since October 1, 1981.

For example, over 65,000 people throughout the state applied for direct energy assistance in December, 1981. This would be the equivalent of the funds provided the state in the period covered by your report. It is the largest number of persons that ever applied for energy assistance. The state expects to serve over 60,000 clients, the most ever. Funds provided for this activity amounted to \$6,656,624, much less than in the FY 1981 program.

The 1982 program contains many program and operational changes. Some of these were contained in your report as observations. These changes have resulted in a markedly improved program.

Some of these are:

1. Assistance payments are being made to any client that applies that is eligible. The funds are distributed based on five characteristics: (1) Income, (2) Climatic Zone, (3) Type Fuel Used to Heat With, (4) Size of Dwelling, and (5) Size of Household. This will result in service to almost twice as many clients as those served in Fiscal Year 1981. However, payments will be much less than in prior years.
2. The Division developed a computerized system for calculation of assistance. In the process, the system was designed to provide information on duplicate applications from any one client and duplicate applications from one address.

The Division was thus able to check these and prevent payments that should not be made. This was done in advance of the distribution of certificates for assistance which were released February 8, 1982. Thus, potentially fraudulent applications were practically eliminated.

3. The criteria for assistance does not include any preference for handicapped or elderly clients. These characteristics are not identified in the legislation for Fiscal Year 1982 energy block grants. Nor do they appear in regulations that were issued by the U. S. Department of Health and Human Services. Thus, preference for these clients is not present as it has been in prior years.

However, the program plan and design is such that elderly and handicapped clients could participate as much as ever. Councils on Aging have been active participants in the enrollment of the clients in the aforementioned December 1981 enrollment period. We fully expect the statistical data to show high participation by elderly and handicapped people in 1982.

Therefore, the problem of requirement of confirmation of handicapping conditions has been eliminated. The client simply indicates whether there is a handicapped member in the household. This will not have any bearing on the amount of assistance the household might receive. Thus, there is no burden on the handicapped client since documentation of condition is no longer required.

4. The Division has engaged in an effort to keep other agencies involved in the operation of the 1982 energy program. Various state agencies are members of Governor Riley's Energy Advisory Committee as are private energy vendors, poor persons, a member of the S.C. Senate and a member from the House. This same composition is found at the local level thus involving other agency participation.

Operational and planning meetings were conducted with vendors, state and federal agencies. This has resulted in a much improved program.

5. The Division has created a system which will calculate assistance based on the characteristics outlined above. This will enable payments to be made on an objective basis which will result in payments based on need. Only one certificate is being issued to each client as opposed to 1981 when multiple certificates were issued. This should be more efficient, better for the client and insure accountability.
6. Each of the twenty local operating agencies submitted an implementation plan. This plan provided insights for the Division in terms of outreach, locations and sites, staffing, and operational procedures. This has enabled the Division to monitor the program effort more effectively.

In addition, specific operational procedures, in a manual format similar to the 1981 program you reviewed, was developed. Training for the 1982 program was conducted at the 20 local agencies. In October, 1981, public meetings were conducted by Division staff outlining the general procedures to be used in the energy assistance program for 1982.

Monitoring visits have been frequent in 1982. Every agency received a pre-program visit, mid-program visit and will be receiving a post program visit. This assured timeliness of corrective actions. All visits are confirmed to the 20 local agencies through written follow-up correspondence.

7. The numbers of appeals should be drastically reduced for 1982. This would occur due to extensive screening at application sites so ineligible clients are advised. In addition, all eligible clients are to be served. Furthermore, it is expected that under 5,000 people will be denied services.

Generally, the denials are based on excessive income or residence in subsidized housing, both of which will make the client ineligible. Thus, denials that result in appeals should not be a problem as in 1981.

8. The State has set-aside 15% of the energy assistance funds for Weatherization for 1982. This should amount to slightly more than \$1.4 million.

As your staff is aware, the Weatherization program, funded by the U. S. Department of Energy had stopped in April, 1981 in South Carolina with the exception of Charleston and Greenville. Referrals to the Weatherization Program although deemed important by the Division could not be made since Weatherization was not operational.

In order to insure referral to Weatherization under the low income energy assistance 15%, the Division has devised a computerized referral system.

All applicants that applied in December, 1981 were asked if they wanted their home weatherized. Those that answered yes will be arrayed in a computer listing based on points assigned to three of the five characteristics: income, size of household and type fuel used. The listing will be arranged with most points and lowest incomes first for each county. Clients will then be served in order of this priority.

This is an objective method. The result should be service to those most in need of weatherization that are least able to afford it.

9. All vendor agreements for 1982 require an identifying S. C. Tax Number. This procedure should enable the Division to insure that the vendor is on record with proper tax authorities.
10. The problem of administrative funds will likely continue each year. In 1982, for example, 10% of the state allocation may be used for administration. The state has decided to retain 50% of this amount and provide local agencies 50%.

This is not adequate if funding is to reduce. The Division has had higher operational costs due to the development and operation of the computer system. Monitoring has been intensified.

Local agencies must operate crisis intervention, weatherization and direct assistance with too little administrative monies. They are unable to employ staff for the program because of distribution of energy funds by the federal government too late in the year, usually December or January.

Given the current status of state funds available for program use, it is unlikely they can be provided to address the problem of inadequate administrative funds. It may be expected this will be a recurring problem. The Division will however continue to utilize as much potential funding, state and federal, as can be obtained to administer the energy assistance program.

The energy assistance programs conducted by the Division during the past five years have changed markedly. The federal government has moved from crisis programs to ones of assistance during the 1981 and 1982 programs. I believe we have, in Fiscal Year 1982, developed a model program that encompasses most, if not all, of the recommendations made in your report. The comparison of one program with another cannot be valid since the content, regulations, legislation and outcomes are each different. Yet, the current program comes closest to meeting a number of needs of the poor.

Included are direct energy assistance using one energy certificate as the payment medium. Weatherization, a good long term solution to the energy problems of the poor. Cooling assistance and heating assistance to clients who have crisis situations. The Division is addressing a wide range of energy problems of the poor using the resources available through the block grant.

While progress has obviously been made since the operation of the Home Energy Assistance Program your office reviewed, there is always room for improvement. Any time you serve over 60,000 persons in a span of 3 months or less, there is a chance for error. Considering the magnitude of this program, it is a credit to those agencies that have so ably assisted the 20 local operating agencies we contracted

Mr. George L. Schroeder

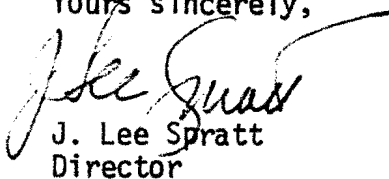
Page 6

February 9, 1982

with, that the program for Fiscal Year 1982 appears to be effective and efficient at this point.

Finally, I would like to close by indicating the appreciation of the Division staff for the thoroughness and quality of your report. The recommendations, discussions and suggestions made to my staff have been most helpful. We have been able to improve the quality of the program. Ultimately, it is the poor of our state who will benefit from these improvements in program operation.

Yours sincerely,



J. Lee Spratt
Director

JLS/JRR/df